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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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GARY PIERCE, Chairman
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AZ CORP COMMISSION
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[Signature]

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY FOR A WAIVER UNDER A.A.C.
R14-2-806 OR, IN THE ALTERNATIVE,
NOTICE OF INTENT TO REORGANIZE
UNDER A.C.C. R14-2-803

DOCKET NO. W-01303A-11-0101

**NOTICE OF FILING DIRECT
TESTIMONY OF ROBERT RIALS ON
BEHALF OF CORTE BELLA
COUNTRY CLUB ASSOCIATION,
INC.**

Corte Bella Country Club Association, Inc., by and through its Board President,
hereby files the direct testimony of Robert Rials. The direct testimony is attached hereto as
Exhibit A.

DATED this 22nd day of July 2011.

CORTE BELLA COUNTRY CLUB
ASSOCIATION, INC.

[Signature of Robert Rials]

Robert Rials
President, Board of Directors
22155 North Mission Drive
Sun City West, Arizona 85375

1 **ORIGINAL** and 13 copies filed
2 this 22nd day of July 2011 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 **COPIES** of the foregoing mailed
8 this 22nd day of July 2011 to:

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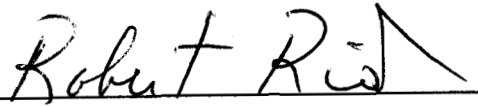
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EXHIBIT A

DIRECT TESTIMONY OF ROBERT RIALS

ON BEHALF OF

CORTE BELLA COUNTRY CLUB ASSOCIATION, INC.

1
2 **I. INTRODUCTION AND QUALIFICATIONS**

3 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
4 **TELEPHONE NUMBER.**

5 **A.** My name is Robert E. Rials. My business address is 22155 North Mission
6 Drive, Sun City West, Arizona, 85375 and my business phone is 623-328-5068.

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 **A.** I am retired but presently provide my time and skills to the Corte Bella Country
9 Club Association, Inc. ("Corte Bella") as President of the Board of Directors.

10 **Q. PLEASE DESCRIBE CORTE BELLA.**

11 **A.** Corte Bella is a non-profit corporation that operates as a Homeowners'
12 Association under the Planned Community Act. Corte Bella is an age-restricted
13 community that contains approximately 1,650 homes within Sun City West.

14 **Q. WHAT ARE YOUR PRIMARY RESPONSIBILITIES AT CORTE**
15 **BELLA?**

16 **A.** As President of the Board of Directors, the Bylaws specify "the President shall
17 be the chief executive officer of the Association and shall exercise general
18 supervision and direction of the affairs of the Association. The President shall
19 have the authority to directly administer all matters not expressly delegated or
assigned to the managing agent or others."

20 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**
21 **EDUCATION.**

22 **A.** I became the Chair of the Transition Committee for Corte Bella in 2007 and as
23 Pulte was preparing to sell the remaining homes I worked to ensure a smooth
24 transition between the developer and Corte Bella residents as the community
25 evolved into a resident HOA Board. I was elected to the Board of Directors in
26 the initial election in 2007 and was selected by the Board of Directors as
President. I have held that position for the last 3 and half years.

27 Prior to re-locating to Corte Bella I worked in the telecommunication industry. I
28 was employed by General Telephone and Electronics for 35 years and at
retirement I was a Manger in the GTE – California Planning and Engineering

1 Department. My position had the Planning responsibilities for short and long
2 term plans for both residential and business customers. My responsibility was to
3 plan and engineer plant and infrastructure ensuring customer service demands
4 were being met as established by the California Utilities Commission. My
5 Department was responsible for over 1.5 million customers along the California
6 coast stretching from Long Beach through Santa Monica to Santa Barbara. The
7 annual budget was over 100 million dollars and laid the foundation for all infra-
8 structure. Planning criteria was based on "just in time provisioning" driven by
9 permits and forecast data. Equipment selection was determined through a "least
10 cost strategy". Planning alternatives and economic considerations were based
11 on financial analysis using Net Present Value (NPV) as the recommended and
12 approved method of selection. I hold a Bachelor of Science degree in Business
13 Administration from Redlands University.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

15 **A. No.**

16 **II. SCOPE AND PURPOSE OF TESTIMONY**

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 **A.** The purpose of my testimony is to set forth Corte Bella's concern / interest
19 regarding the proposed acquisition of Arizona-American Water Company
20 ("AAWC") by EPCOR. All of Corte Bella's water and waste water service is
21 provided by AAWC.

22 **Q. WHAT IS CORTE BELLA'S MAIN CONCERN?**

23 **A.** Corte Bella's main concern is whether the proposed acquisition is in the best
24 interest of the customer and, more specifically, whether the acquisition will
25 result in a future rate application with the Commission to increase water and
26 wastewater rates.

27 **Q. WHY IS CORTE BELLA CONCERNED ABOUT A FUTURE RATE INCREASE?**

28 **A.** Corte Bella is currently facing a proposed wastewater rate increase of 139.7%
through a potential deconsolidation of the Anthem / Agua Fria Wastewater
District in Docket No. WS-01303A-09-0343. Corte Bella is also facing a
proposed water rate increase of 82.9% in Docket No. W-01303A-10-0448.

1 These rate increases will have a drastic impact on the residents of Corte Bella –
2 most of which are on fixed incomes.

3 **Q. WHAT ADDITIONAL INFORMATION DO YOU BELIEVE EPCOR**
4 **SHOULD PROVIDE BEFORE THE COMMISSION CAN MAKE A**
5 **FINAL DETERMINATION ON THE ACQUISITION?**

6 EPCOR should provide additional information regarding its near-term plan. The
7 Application provides limited explanation on the near-term planning strategy for
8 the Arizona-American properties. The Application references EPCOR's efforts
9 in operations and maintenance, inclusive of water safety and treatment,
10 maintaining and servicing existing facilities, customer support services, and
11 technical expertise in automated systems, ultraviolet disinfection and remote
12 monitoring. However, no reference is made to EPCOR's near-term planning of
the seven (7) Districts and approximately 158,000 customers. The customers
served by the EPCOR acquisition should have an understanding of the EPCOR
planning process and vision for the near term.

13 EPCOR should also provide information on how the acquisition will improve
14 cost structure through the synergism of two companies.

15 Additionally, Arizonans should expect an implementation strategy that will
16 effectively plan and therefore implement plant and infrastructure on a cost
effective basis with "just in time" capability.

17 **Q. WHY SHOULD EPCOR HAVE TO PRODUCE A NEAR-TERM PLAN**
18 **WHEN THE COMPANY IS WELL ESTABLISHED IN THE WATER**
19 **UTILITY INDUSTRY?**

20 **A.** When determining water applications, the customer views our Commission as
21 serving the public interest by protecting consumers and ensuring the provision
22 of safe, reliable utility service and infrastructure at reasonable rates, with a
commitment to environmental enhancement and a healthy Arizona economy.

23 This acquisition requires the question to be asked: What is EPCOR's near term
24 planning strategy of the Arizona-American properties? EPCOR has made
25 reference to its holdings in this Application. When examining the Canadian
26 holdings on the website (www.epcor.com), the written description of the
27 properties are given in two Provinces, Alberta and British Columbia. The word
"planning" and the skills of planning never once appear in the description of the
subject properties. However, planning is an integral part of managing a
28 business and defining the near term plans would provide the residents and

1 Commission the understanding required to act on the Application in an informed
2 manner.

3 **III. CONCLUSION**

4 **Q. WHAT DO YOU BELIEVE IS THE MOST IMPORTANT FACTOR FOR**
5 **THE COMMISSION TO CONSIDER AS PART OF ITS FINAL**
6 **DETERMINATION ON THE ACQUISITION?**

7 **A.** The level of transparency by EPCOR to its 158,000 customers. EPCOR should
8 provide its near-term plan and its future considerations in planning the Districts
9 in a cost-effective manner. The simplest method for EPCOR to ensure a level
10 of confidence is to share its plans, its short-term goals, and its ability to improve
11 the water utility in Arizona for all its customers.

12 The present submission is a basic Application answering the most basic
13 questions. The Arizona districts are located where water has become a key and
14 limited resource to both resident and business and sound planning and an
15 EPCOR explanation is paramount. The question asked and the explanation to
16 be given are best provided prior to the transition of ownership.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 **A.** Yes.
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